GradeMax

CAMBRIDGE
International Education

Cambridge IGCSE™

ECONOMICS **0455/23**

Paper 2 Structured Questions **May/June 2024**

MARK SCHEME

Maximum Mark: 90

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking
- For levels of response marking, the level awarded should be annotated on the script
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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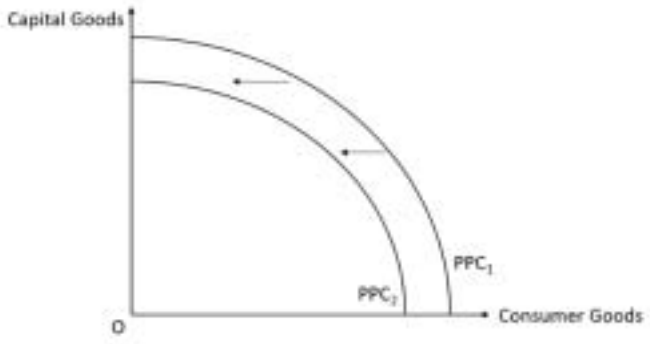
Common examiner annotations on 0455/2281/0987 and 2286

	Uncertain what the candidate means – an illogical line of thought		MAX	MAX
BOD	Benefit of the doubt		NAQ	Not answered question
BP	Blank page		NE	Not established – a statement made without any support
	Caret – a word is missing		REP	Repetition
CON	Confused		SEEN	SEEN
	Cross			Tick – a credit worthy point
	Highlight		TV	Too vague
L	Nothing creditworthy			
L1	Level 1			
L2	Level 2			
L3	Level 3			

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Question	Answer	Mark	Guidance
1(a)	**Calculate the percentage contribution of Jakarta to Indonesia's GDP in 2021.** 27.3%, 27.27%, 27.2%, 27%	**1**	Accept without the percentage sign.
1(b)	**Identify <u>two</u> examples of external costs ignored by the free market.** air pollution (1) rising sea levels/floods (1) disease / mosquitoes (1) climate change (1)	**2**	
1(c)	**Explain how real GDP per head can be an indicator of living standards.** Real GDP per head has been adjusted for population / inflation / takes account of the cost of living (1). Low real GDP per head leads to a fall in living standards (1) because lower GDP per head would mean lower income / real GDP per head is average income (1) reducing consumption / material wellbeing / influencing how much people can spend / whether they can buy basic necessities (1).	**2**	Accept answers based on either higher or lower GDP per head.

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Question	Answer	Mark	Guidance
1(d)	**Explain <u>two</u> ways climate change can lead to a fall in the Human Development Index (HDI) of Indonesia.** Logical explanation which might include: Schools have been flooded (1) reducing education levels / mean years of schooling / expected years of schooling (1). Floods have led to an increase in diseases (transmitted through water and mosquitoes which breed in water) (1) reducing health level / life expectancy / increasing death rate (1). Farmland has been submerged, (cutting off a vital source of income of many farmers) / roads have been destroyed (1) reducing income levels / GNI per capita / GDP per capita / living standards (1).	**4**	One mark each for each of two ways identified and one mark for each of two explanations. Accept an explanation combining two different ways, e.g. increase in diseases reducing education levels.
1(e)	**Draw a production possibility curve (PPC) diagram to show the impact of climate change on an economy such as Indonesia.** PPC diagram**:** Axes correctly with different outputs (1). Initial curve drawn as a curve/line sloping downward to the axes (1). New curve drawn as a curve/line sloping downward to the axes (1). Shift to the left indicated by arrow(s) or letters or numbers e.g. PPC1 to PPC2 (1).	**4**	

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Question	Answer	Mark	Guidance
1(f)	**Analyse the relationship between GDP and government spending on the environment.** Coherent analysis which might include: Expected relationship: direct relationship / move in the same direction (1) higher GDP may lead to higher government spending on the environment / higher government spending on the environment may increase GDP (1). Supporting evidence: Japan has highest GDP and highest spending on environment (1) France has second highest GDP and second highest spending on environment (1) Thailand has lowest GDP and lowest spending on environment (1). Analysis: Higher GDP may create more pollution, therefore countries have more to spend on environment / high government spending on the environment can reduce pollution/climate change (1). Higher tax revenue / more education and so more concern for the environment / a cleaner environment can raise productivity (1). Higher GDP therefore more developed and can spend more on other objectives such as protection of the environment (1). Exception: Switzerland/Indonesia (1) Switzerland has lower GDP than Indonesia but higher expenditure on environment/ Indonesia has higher GDP and lower expenditure on environment than Switzerland (1). Analysis of the exception: These countries may be facing different pressures on government spending e.g. higher level of poverty (1).	**5**	Responses do not have to be in the format suggested but they should address the expected/normal relationship, offer supporting evidence of that, highlight any exceptions to that, and analyse the overall data.

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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>1(g)</td><td>Discuss whether or not internal migration benefits an economy such as Indonesia.

Award up to 4 marks for logical reasons why it might, which may include:
• higher production of different crops (1) more income / higher living standards (for farmers) (1)
• less pressure on government resources / natural resources (1) e.g., less overcrowding (1) less spending on healthcare if people move away from areas of flooding/ mosquitoes (1)
• labour force may increase in some areas (1) moving from low productivity areas to high productivity areas(1) increasing output (1)
• housing may be cheaper / more available in some areas (1) reducing cost of living for workers (1)
• migration may be to high wage areas (1) boosting total demand (1)
• fewer resources may be wasted (1) if migration is to an area where they are under-used e.g. schools, hospitals (1).

Award up to 4 marks for logical reasons why it might not, which may include:
• as workers migrate, it could also lead to the collapse of entire communities (1) without workers (1) less demand for goods and services in the area (1)
• increased inequality between more mobile labour and less mobile labour (1) as some workers who cannot move will not be able to find jobs (1) and gain higher income (1)
• more pressure on government resources in areas they move to (1) more overcrowding in those areas / housing shortages (1) external costs (1) more pollution / congestion (1).</td><td>6</td><td>Apply this example to all questions with the command word DISCUSS
(1g, 1h, 2d, 3d, 4d and 5d)

Accept the reverse argument, (e.g. for Q1g internal migration may be to a less polluted area) but recognise that each point may be credited only once, on either side of an argument, but separate development as to how/why the outcome may differ is rewarded.

<table><tr><th>Generic example</th><th>mark</th></tr><tr><td>Tax revenue may decrease…</td><td>1</td></tr><tr><td>...because of reason e.g. incomes may be lower.</td><td>1</td></tr><tr><td>Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.</td><td>0</td></tr><tr><td>Tax revenue may increase because of a different reason i.e. <u>not</u> the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education.</td><td>1</td></tr></table></td></tr>
</table>

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Question	Answer	Mark	Guidance
1(h)	**Discuss whether or not relocating the capital city from Jakarta will benefit the Indonesian economy.** Award up to 4 marks for logical reasons why it might, which may include: • the new city will provide new job opportunities (1) decreasing unemployment in Indonesia (1) increasing incomes / economic growth (1) • reduce inequality between the different regions of Indonesia (1) reducing social dissatisfaction / increase standards of living of everyone in Indonesia (1) • better environment as new city is carbon-neutral / less pollution (1) reduced external costs (1) • better health for population of Indonesia (1) higher productivity (1) • fewer floods that require expenditure to repair the damage (1) • foreign investors may be more willing to relocate to Indonesia (1). Award up to 4 marks for logical reasons why it might not, which may include: • cost of the move may be too high (1) opportunity cost in terms of other areas of government spending (1) e.g. education / healthcare in other regions (1) could result in higher taxes / government budget deficit (1) • the relocation is expected to benefit only a small number of people who already have the financial capital / connection to the government (1) inequality could rise (1) • people may be reluctant to leave Jakarta (1) causing the resources invested in the new city to be wasted (1).	**6**	

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Question	Answer	Mark	Guidance
2(a)	**Define *secondary sector* using an example apart from construction.** The sector covering construction and manufacturing / the sector that processes raw materials (1) e.g. car manufacturing (1).	**2**	Accept covers manufacturing / production of goods.
2(b)	**Explain <u>two</u> key resource allocation decisions.** Logical explanation which might include: • what to produce (1) a decision on what types of products that an economy needs to produce e.g. capital goods vs consumer goods / necessities vs luxuries (1) • how to produce (1) seeking the most efficient methods / where the methods to produce the goods and services needs to be decided / capital-intensive vs labour-intensive (1) • for whom to produce (1) for those who can pay for the goods and services / for the target market / sector of the economy for whom the goods should be produced / those who need it vs those who want it (1).	**4**	One mark each for each of two decisions identified and one mark for each of two explanations. Accept answers based on resource allocation decisions made by firms e.g. demand for a firm's products.

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Question	Answer	Mark	Guidance
2(c)	**Analyse why workers may want to migrate to another area.** Coherent analysis which might include: • to gain higher incomes (1) as there are more / better jobs opportunities available in another area / more opportunities to use skills (1) since there are more employers / economic activity (1) • to have better living standards (1) better public amenities (1) such as better health and education facilities (1) • to move from areas with housing shortages (1) for cheaper / better housing (1) • to move from areas where prices / cost of living is high (1) move to area with lower taxes (1) increase purchasing power / living standards (1) • to have better working conditions (1) more job security (1) • to be closer to friends / family (1) who have migrated previously (1) • to escape wars / high crime (1) more security (1) to avoid losing lives / lives of family members (1) • to gain more freedom (1) fewer laws / restrictive regulations (1) • climate change (1) original area no longer habitable / cannot plant crops (1) relocate to areas where there are better soil / fewer floods / fewer natural disasters / less pollution (1).	**6**	Accept internal and external migration. Maximum of 3 marks for identifying reasons.

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<table>
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<tr><td>2(d)</td><td>Discuss whether or not a government should introduce a maximum price on housing.

In assessing each answer, use the table opposite.

Why it might:
• reduces price of housing / makes housing more affordable
• to control (cost-push) inflation
• to improve labour mobility / increase labour force available
• ensures everyone has shelter, a basic necessity
• leaves enough money to buy other needs and wants, increasing living standards
• less inequality / reduces relative poverty.

Why it might not:
• discourages firms from supplying housing / reduces profits
• may reduce housing quality if firms wish to maintain profit levels
• shortage of housing if maximum price is below the equilibrium
• no effect if maximum price is set above the equilibrium price
• creation of informal markets at higher prices – lower standards
• maximum prices might still be too high and unaffordable
• the maximum price introduced may not take location into account.</td><td>8</td><td>
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<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr>
<tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3–5</td></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
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Question	Answer	Mark	Guidance
3(a)	**Identify <u>two</u> pairs of products, not in the gaming industry, which are substitutes.** • tea and coffee (1) • Netflix and Disney streaming services (1) • iPhones and Android Phones (1) • glasses and contact lenses (1)	**2**	Accept any relevant <u>pairs</u> of products: 1 mark for each <u>pair</u>.
3(b)	**Explain <u>two</u> reasons why a firm's revenue may increase.** Logical explanation which might include: • higher demand (1) due to e.g. increase in income / successful advertising / change in taste / fashion (1) • change in price of the product (1) if demand is inelastic (1) a rise in price will cause a rise in revenue (1) / if demand is elastic (1) a fall in price will cause a rise in revenue (1) • increased market power / market share / monopoly (1) • price of substitutes increased / fewer substitutes available (1) demand shifted to this product (1) • price of complements decreased (1) raising demand for the complement (1) • higher incomes of consumers (1) increasing affordability to buy the product (1) • firm selling higher quality product (1) more consumers want to buy the product (1) • government subsidy received (1) extra source of revenue (1).	**4**	One mark each for each of two reasons identified and one mark for each of two explanations. Do not award for decreased costs or increased profits.

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Question	Answer	Mark	Guidance
3(c)	**Analyse <u>two</u> economic consequences of having a large proportion of the population aged under 16.** Coherent analysis which might include: • requirement for substantial spending on education (1) opportunity cost for other spending (1) e.g. healthcare / infrastructure / any examples of other spending (1) high demand for teachers (1) • high dependency ratio (1) few income earners and many dependents (1) reduced tax revenues (1) lower living standards (1) income has to be shared between many people (1) • low levels of economic activity (1) young population not in the labour force / not working (1) lack of experienced workers (1) less productivity (1) smaller GDP / lower economic growth (1) • greater demand for items consumed by children e.g. toys (1) smaller demand for items consumed by adults e.g. cars (1) • future economic growth potential high (1) when young reach adulthood they enter the labour force (1) increasing the supply of labour (1) lowering labour costs (1) encouraging investments (1).	**6**	

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<tr><td>3(d)</td><td>Discuss whether or not it would benefit the economy if a government imposed regulations on video game use by young people.

In assessing each answer, use the table opposite.

Why it might:
• government can ban a product or limit the quantity allowed to be bought, decreasing demand for the product
• government can impose age limits on certain products
• government can ensure the product produced doesn’t create too many external costs e.g. violent crime
• improve educational achievement, skills of worker, higher output
• improve health, reduce healthcare costs
• reduce consumption of a demerit good i.e. violent video games.

Why it might not:
• policing might not be effective
• unofficial / illegal markets could be formed, government spending required to police them
• opportunity cost, spending on e.g. healthcare instead of policing
• could increase unemployment in the video gaming industry
• could reduce GDP / economic growth if the industry is significant
• could reduce tax revenue if games are subject to tax
• video games can be creative, giving participants skills
• could reduce exports and worsen the current account balance.</td><td>8</td><td>
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Question	Answer	Mark	Guidance
4(a)	**Define a *trade in goods deficit.*** Expenditure on imports (of goods) exceeds revenue from exports (of goods) (2). Imports exceed exports (1).	**2**	
4(b)	**Explain <u>two</u> ways firms can be classified.** Logical explanation which might include: By stage (1): primary / secondary / tertiary (1) according to the product produced (1). By sector (1) private sector / public sector (1) according to who owns the firm (1). By size (1) according to amount of output produced / number of workers employed (1). By location (1) MNC or domestically-based (1) according to whether operates in more than one country (1). By level of competition (1) may be a monopoly or competitive firm (1). By use of factors of production (1) capital intensive or labour intensive (1).	**4**	One mark each for each of two ways identified and one mark for each of two explanations.

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Question	Answer	Mark	Guidance
4(c)	**Analyse why a government may protect its country's industries from foreign competition.** Coherent analysis which might include: To improve / stop decline of the balance of payments (1) by increasing exports / reducing imports (1) increasing economic growth (1). To protect infant (sunrise) industries (1) allow growth in order to take advantage of economies of scale (1) charge lower prices (1). To protect declining (sunset) industries (1) allow industries to decline gradually (1) unable to replace workers leaving / retiring (1) to protect jobs / avoid rising unemployment (1). To protect strategic industries (1) to ensure supply of e.g. food (1) not disrupted by e.g. economic sanctions (1). To protect industries from unfair competition (1) e.g. dumping (1) government subsidies (1).	**6**	

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<tr><td>4(d)</td><td>Discuss whether or not a government should increase its spending on healthcare.

In assessing each answer, use the table opposite.

Why it should:
• to prevent illness / the spread of diseases / reduce death rates
• may improve productivity
• healthcare may be under-consumed
• healthcare is a merit good
• the poor may not be able to afford healthcare
• may increase life expectancy
• may increase employment in healthcare
• may boost total (aggregate) demand / economic growth
• may reduce unemployment
• may increase government tax revenues.

Why it should not:
• increased cost of healthcare may cause a budget deficit
• may have to raise taxes
• increased spending may cause inflation
• opportunity cost e.g. spending on education
• private sector provision may be more efficient
• doesn't guarantee higher quality healthcare.</td><td>8</td><td>
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Question	Answer	Mark	Guidance
5(a)	**Identify two benefits of a horizontal merger.** • economies of scale / lower costs • lower prices (for consumers) • sharing of each firm's strengths • more capital available • market power / higher prices • higher quality • more efficient use of resources • higher profit • international competitiveness	**2**	Higher revenue not accepted.
5(b)	**Explain <u>two</u> possible external benefits of vaccines.** Logical explanation which might include: • healthier overall population (1) reduced risk for others to become infected / for those who have been vaccinated to spread the disease to the rest of the population (1) • improved HDI (1) life expectancy is part of a country's HDI (1) • reduced long term spending on healthcare (1) freeing funds for other areas (1) • healthier labour force (1) higher productivity / higher output / lower prices (1) • more jobs to the community near the vaccine production site (1) higher incomes / lower unemployment (1) • increased medical research and development/ innovation (1) helps other fields in medicine and science (1).	**4**	

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Question	Answer	Mark	Guidance
5(c)	**Analyse potential reasons why a merged firm may fail.** Coherent analysis which might include: • diseconomies of scale (1) higher long run (average) cost as output increases (1) decreasing profits (1) • lack of coordination (1) difficult to coordinate between the different departments in a larger company (1) may require additional managers / processes (1) • lack of control (1) difficult to ensure everyone in a large company is working towards the same goal (1) increased absences / slacking-off (1) • lack of cooperation / disagreements (1) no sense of belonging and personal connections (1) and therefore workers may not want to work with each other (1) • lack of synergy (1) different parts of the merged companies can't work well with each other (1) don't have the same philosophy / management styles (1) • reduced competition may increase complacency / reduce efficiency / innovation (1) lower quality (1) reduce demand (1) • other possible reasons for failure, not directly related to merger, e.g. fall in demand (1) supply chain difficulties (1).	**6**	

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<table>
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<tr><td>5(d)</td><td>Discuss whether or not investment is beneficial to an economy.

In assessing each answer, use the table opposite.

Why it might:
• improves productivity / technological innovation
• creates jobs – decreasing unemployment
• consumers may benefit if investment reduces prices, improves quality of products
• increases total demand and output of the economy – economic growth
• improves quality of education
• improves quality of health
• if FDI, it provides funds not available in home country.

Why it might not:
• if financed by borrowing, affected by interest rate changes
• creates inflation in short run
• increases pollution – external cost
• if foreign investment – overdependence on foreign parties
• increased inequality
• increased unemployment if capital goods act as a substitute for labour
• opportunity cost in the form of fewer consumer goods in the short run.</td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sided of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr>
<tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3–5</td></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
</table>
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<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td></td><td></td><td>
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<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
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